

## Volunteer Quality Alert 2005-10 – Form 1098-T

*You may use this document as a job aid to assist taxpayers who have received this form.*

### Interpreting Form 1098T, Tuition Statement

Form 1098T is used to report **Qualified Tuition and related expenses**. These expenses are tuition and fees a student **must pay** to be enrolled at or attend an eligible educational institution.

The following are not qualified tuition or related expenses:

- Amounts paid for any course or other education involving sports, games, or hobbies unless the course or other education is part of the student's degree program or is taken to acquire or improve job skills.
- Charges and fees for room, board, insurance, transportation, and similar personal, living, or family expenses.

**Adjustments to Qualified Education** - If you pay qualified education expenses with certain tax-free funds, you **cannot** claim a credit for those amounts. You must reduce the qualified education expenses by the amount of any tax-free educational assistance and refund(s) you received.

#### Worksheet for Tuition and Educational Credits and Taxable Scholarships and/or Grants for 2004

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|--|----------|
| 1. Amount from Form 1098-T Box 1 or 2  | 1. _____ |
| 2. If Box 6 is checked, amount of Box 1 or 2 that is for an academic period beginning January – March 2005 | 2. _____ |
| 3. Subtract line 2 from line 1   | 3. _____ |
| 4. Enter amount from Box 4 Scholarships or Grants  | 4. _____ |
| 5. Scholarships not reported on Form 1098-T  | 5. _____ |
| 6. Add lines 4 and 5 together.   | 6. _____ |
| 7. Subtract line 6 from line 3.  | 7. _____ |

If line 3 is larger than line 6, the difference is the amount of Qualified Expenses for one of the following: the Hope Credit, the Lifetime Learning Credit, or the Tuition and Fees Deduction.

If line 6 is larger than line 3

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|--|----------|
| 8. Enter the amount for the cost of books, supplies, and equipment paid to the educational institution for courses taken in 2004 | 8. _____ |
| 9. Combine lines 7 and 8.  | 9. _____ |

If line 9 is positive, none of the Scholarship or Grant is taxable because the Qualified Expenses exceed the amount of the Scholarship and/or Grant received.

If line 9 is negative, see Pub 970 pages 5 and 6 to determine if the difference is a taxable Scholarship or Grant that should be entered on Line 7 of Form 1040.

#### For training refresher, Volunteers can refer to:

- Publication 678, The Volunteer Assistor's Guide/Student Text, Lesson 9, Education Credits, or
- Publication 1155, Instructor's Guide, Lesson 9, Education Credits, or
- Publication 4012, Volunteer Resource Guide, or
- Publication 17, Your Federal Income Tax, Chapters 21 and 37, or call
- The VITA Hotline at 1-800-829-8482.